

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Beverly  
Contributory Retirement System  
For the Three Year Period  
January 1, 2001 - December 31, 2003  
PERAC 03: 11-020-12**

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February 23, 2005

The Public Employee Retirement Administration Commission has completed an examination of the Beverly Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2001 to December 31, 2003. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant audit findings to report.

We commend the Beverly Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Ryan and James Tivnan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## Beverly Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
<b>ASSETS</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	
Cash	\$1,818,639	\$963,624	\$468,428	
Fixed Income Securities (at market value)	16,753,712	16,370,972	15,253,035	
Equities	22,083,381	15,463,363	18,756,041	
Pooled International Equity Funds	6,544,559	5,010,119	6,063,251	
Pooled Global Fixed Income Funds	5,715,330	5,663,115	4,488,514	
Pooled Domestic Balanced Funds	12,664,876	10,269,506	12,371,025	
Interest Due and Accrued	178,215	215,702	226,576	
Accounts Receivable	994,870	2,558,116	2,033,578	
Accounts Payable	<u>0</u>	<u>(227,562)</u>	<u>0</u>	
<b>TOTAL</b>	<b><u>\$66,753,583</u></b>	<b><u>\$56,286,955</u></b>	<b><u>\$59,660,449</u></b>	
<b>FUND BALANCES</b>				
Annuity Savings Fund	\$16,543,565	\$15,449,224	\$16,395,397	
Annuity Reserve Fund	8,845,157	8,865,030	6,754,722	
Pension Fund	4,252,890	6,012,213	7,367,184	
Military Service Fund	2,813	1,566	299	
Expense Fund	0	0	0	
Pension Reserve Fund	<u>37,109,159</u>	<u>25,958,921</u>	<u>29,142,847</u>	
<b>TOTAL</b>	<b><u>\$66,753,583</u></b>	<b><u>\$56,286,955</u></b>	<b><u>\$59,660,449</u></b>	

## Beverly Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2001)</b>	\$15,384,453	\$6,554,979	\$8,657,141	\$293	\$0	\$30,901,589	<b>\$61,498,456</b>
Receipts	1,976,758	190,457	4,622,307	6	475,261	(1,758,889)	<b>5,505,901</b>
Interfund Transfers	(833,587)	833,440	0	0	0	146	<b>0</b>
Disbursements	(132,228)	(824,155)	(5,912,264)	0	(475,261)	0	<b>(7,343,908)</b>
<b>Ending Balance (2001)</b>	<b>16,395,397</b>	<b>6,754,722</b>	<b>7,367,184</b>	<b>299</b>	<b>0</b>	<b>29,142,847</b>	<b>59,660,449</b>
Receipts	2,096,549	211,924	5,104,013	1,268	438,037	(3,186,032)	<b>4,665,760</b>
Interfund Transfers	(2,796,500)	2,794,393	0	0	0	2,106	<b>0</b>
Disbursements	(246,222)	(896,009)	(6,458,984)	0	(438,037)	0	<b>(8,039,253)</b>
<b>Ending Balance (2002)</b>	<b>15,449,224</b>	<b>8,865,030</b>	<b>6,012,213</b>	<b>1,566</b>	<b>0</b>	<b>25,958,921</b>	<b>56,286,955</b>
Receipts	2,003,552	262,497	5,487,731	1,247	463,407	11,146,973	<b>19,365,407</b>
Interfund Transfers	(730,391)	727,126	0	0	0	3,265	<b>(0)</b>
Disbursements	(178,821)	(1,009,497)	(7,247,054)	0	(463,407)	0	<b>(8,898,779)</b>
<b>Ending Balance (2003)</b>	<b><u>\$16,543,565</u></b>	<b><u>\$8,845,157</u></b>	<b><u>\$4,252,890</u></b>	<b><u>\$2,813</u></b>	<b><u>\$0</u></b>	<b><u>\$37,109,159</u></b>	<b><u>\$66,753,583</u></b>

# Beverly Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$1,686,822	\$1,693,266	\$1,600,725
Transfers from other Systems	52,731	101,111	60,168
Member Make Up Payments and Redeposits	106,973	67,861	32,539
Member Payments from Rollovers	6,615	18,564	0
Investment Income Credited to Member Accounts	<u>150,410</u>	<u>215,748</u>	<u>283,327</u>
<b>Sub Total</b>	<b><u>2,003,552</u></b>	<b><u>2,096,549</u></b>	<b><u>1,976,758</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>262,497</u>	<u>211,924</u>	<u>190,457</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	76,969	67,957	51,802
Received from Commonwealth for COLA and Survivor Benefits	328,394	388,390	187,554
Pension Fund Appropriation	<u>5,082,369</u>	<u>4,647,667</u>	<u>4,382,951</u>
<b>Sub Total</b>	<b><u>5,487,731</u></b>	<b><u>5,104,013</u></b>	<b><u>4,622,307</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	1,231	1,263	0
Investment Income Credited Military Service Fund	<u>16</u>	<u>4</u>	<u>6</u>
<b>Sub Total</b>	<b><u>1,247</u></b>	<b><u>1,268</u></b>	<b><u>6</u></b>
<b>Expense Fund:</b>			
Investment Income Credited to Expense Fund	<u>463,407</u>	<u>438,037</u>	<u>475,261</u>
<b>Sub Total</b>	<b><u>463,407</u></b>	<b><u>438,037</u></b>	<b><u>475,261</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	12,581	38,143	20,931
Interest Not Refunded	1,566	1,266	3,024
Excess Investment Income	<u>11,132,825</u>	<u>(3,225,441)</u>	<u>(1,782,844)</u>
<b>Sub Total</b>	<b><u>11,146,973</u></b>	<b><u>(3,186,032)</u></b>	<b><u>(1,758,889)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$19,365,407</u></b>	<b><u>\$4,665,760</u></b>	<b><u>\$5,505,901</u></b>

# Beverly Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$161,602	\$130,605	\$131,773
Transfers to other Systems	<u>17,219</u>	<u>115,617</u>	<u>454</u>
<b>Sub Total</b>	<b><u>178,821</u></b>	<b><u>246,222</u></b>	<b><u>132,228</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	1,009,497	885,648	797,626
Option B Refunds	<u>0</u>	<u>10,361</u>	<u>26,529</u>
<b>Sub Total</b>	<b><u>1,009,497</u></b>	<b><u>896,009</u></b>	<b><u>824,155</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	4,930,789	4,165,532	3,738,932
Survivorship Payments	220,846	213,845	202,875
Ordinary Disability Payments	179,907	168,386	167,155
Accidental Disability Payments	1,278,660	1,264,537	1,226,231
Accidental Death Payments	401,649	422,479	368,103
Section 101 Benefits	27,240	26,459	28,554
3 (8) (c) Reimbursements to Other Systems	93,242	82,562	71,006
State Reimbursable COLA's Paid	114,720	115,186	109,408
<b>Sub Total</b>	<b><u>7,247,054</u></b>	<b><u>6,458,984</u></b>	<b><u>5,912,264</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	16,500	16,500	16,500
Salaries	91,606	91,726	88,229
Legal Expenses	19,128	0	0
Medical Expenses	0	0	26
Travel Expenses	924	1,137	150
Administrative Expenses	2,857	4,691	15,307
Service Contracts	7,303	6,843	0
Fiduciary Insurance	554	0	0
Management Fees	264,965	264,690	268,164
Custodial Fees	49,023	32,956	54,225
Consultant Fees	<u>10,548</u>	<u>19,494</u>	<u>32,660</u>
<b>Sub Total</b>	<b><u>463,407</u></b>	<b><u>438,037</u></b>	<b><u>475,261</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$8,898,779</u></b>	<b><u>\$8,039,253</u></b>	<b><u>\$7,343,908</u></b>

# Beverly Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Investment Income Received From:</b>			
Cash	\$14,389	\$19,770	\$54,746
Fixed Income	1,154,110	1,161,377	1,328,728
Equities	132,389	118,141	140,053
Pooled or Mutual Funds	<u>1,253,620</u>	<u>347,754</u>	<u>94,477</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>2,554,507</u></b>	<b><u>1,647,043</u></b>	<b><u>1,618,005</u></b>
<b>Plus:</b>			
Realized Gains	2,735,809	1,675,557	2,362,914
Unrealized Gains	9,727,136	3,208,463	5,754,044
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>178,215</u>	<u>215,702</u>	<u>226,576</u>
<b>Sub Total</b>	<b><u>12,641,160</u></b>	<b><u>5,099,723</u></b>	<b><u>8,343,534</u></b>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	(192,696)	(127,327)	(131,267)
Realized Loss	(1,040,723)	(3,974,940)	(6,753,757)
Unrealized Loss	(1,737,390)	(4,777,651)	(3,646,460)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(215,702)</u>	<u>(226,576)</u>	<u>(263,848)</u>
<b>Sub Total</b>	<b><u>(3,186,511)</u></b>	<b><u>(9,106,493)</u></b>	<b><u>(10,795,332)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>12,009,156</u></b>	<b><u>(2,359,728)</u></b>	<b><u>(833,793)</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	(150,410)	(215,748)	(283,327)
Annuity Reserve Fund	(262,497)	(211,924)	(190,457)
Military Service Fund	(16)	(4)	(6)
Expense Fund	<u>(463,407)</u>	<u>(438,037)</u>	<u>(475,261)</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>(876,330)</u></b>	<b><u>(865,714)</u></b>	<b><u>(949,051)</u></b>
Net Investment Income	<u>12,009,156</u>	<u>(2,359,728)</u>	<u>(833,793)</u>
Less: Total Income Required	<u>(876,330)</u>	<u>(865,714)</u>	<u>(949,051)</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$11,132,825</u></b>	<b><u>(\$3,225,441)</u></b>	<b><u>(\$1,782,844)</u></b>



## Beverly Retirement System

### STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING, 2003**

	<b>BOOK VALUE*</b>	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>	<b>PERCENTAGE ALLOWED*</b>
Cash	\$1,818,639	\$1,818,639	2.77%	100
Fixed Income	16,753,712	16,753,712	25.55%	40 - 80
Equities	22,083,381	22,083,381	33.67%	40
Pooled International Equity Funds	6,544,559	6,544,559	9.98%	
Pooled Global Fixed Income Funds	5,715,330	5,715,330	8.71%	
Pooled Domestic Balanced Funds	12,664,876	12,664,876	19.31%	
<b>GRAND TOTALS</b>	<b><u>\$65,580,499</u></b>	<b><u>\$65,580,499</u></b>	<b><u>100.00%</u></b>	

For the year ending 2003, the rate of return for the investments of the Beverly Retirement System was 22.43%. For the five year period ending, 2003, the rate of return for the investments of the Beverly Retirement System averaged 7.05%. For the 19-year period ending December 31, 2003, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Beverly Retirement System was 10.95%.

## **Beverly Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

The **Beverly** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

August 31, 1989

(1) Real Estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and shall consist of real estate separate accounts, provided that:

(a) the Board does not participate in the selection of the separate account management and should the Board be required to participate in the selection of the separate account management, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and

(b) the separate account management retains authority in the decision making process, and

(c) should an investment in a separate account result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said account is prudent.

20.03 (1) Equity investments shall not exceed 40% of the total book value of the portfolio at the time of purchase including international equities which shall not exceed 5% of the total book value of the portfolio at the time of purchase.

20.04 (1) United States based corporations and equities of foreign corporations.

20.07 (5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

20.80(e) Cash or cash equivalent investments may be made in the foreign currencies, however, foreign currency speculation is prohibited.

July 18, 1990

20.04(1) United States based corporations, equities of foreign corporations, bonds of foreign corporations, and fixed income Canadian securities, provided that:

(a) all such foreign bonds are denominated in U.S. currency and issued and traded in U.S. markets, and the total of such foreign bonds shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the portfolio; and

(b) all such Canadian securities are denominated in U.S. currency and issued and traded in U.S. markets, and the total of all such securities shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.04(6) American Depositary Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

## **Beverly Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (CONTINUED)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

December 12, 1991

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

- (a) 1% of the value of the fund for the first \$5 million; and
- (b) 0.5% of the value of the fund in excess of \$5 million.

February 6, 1992

16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

June 24, 1992

18.02(4) *Rate of Return*. A statement of the rate of return objective for the entire portfolio which shall be at least 8 ½%.

18.02(5) *Risk*. Total portfolio risk exposure should reasonably be centered in the midrange (25<sup>th</sup> to 75<sup>th</sup> percentile) of comparable Public Funds. Risk-adjusted returns are expected to consistently rank in the top half of comparable Public Funds.

20.03(1) (a) Domestic equities shall not exceed 50% of the total book value of the portfolio at the time of purchase.

(c) International equities shall not exceed 10% of the total book value of the portfolio at the time of purchase.

20.07(1) The issuer of equity securities must have a publicly available operating record of at least five years, including past performance resulting from mergers, acquisitions, and spin-offs, however, 1% of the portfolio may be invested in equity securities of companies with less than a five year operating record.

20.07(8) Commingled or mutual funds may be used to achieve the desired degree of diversification and may include:

- (a) PanAgora Asset Allocation Fund.

20.08(1)(b) Securities rated A-2 by Moody or P-2 by Standard and Poor's or better by a recognized credit rating service.

July 21, 1994

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including international fixed income investments which shall not exceed 5% of the portfolio valued at market.

20.04(6) The board may invest in obligations issued by foreign corporations and in obligations issued and guaranteed by foreign governments.

## **Beverly Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (CONTINUED)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

October 12, 1995

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including international fixed income investments which shall not exceed 10% of the total portfolio valued at market.

20.04(6) The board may invest in obligations issued by foreign corporations and in obligations issued and guaranteed by foreign governments.

August 22, 1996

840 CMR 21:00:

Prohibited Investments:

(3) Futures Contracts other than as follows:

(a) Forward Currency Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERA for international investments.

(b) Forward Currency Contracts may be written against securities in the international portfolio to a maximum of twenty-five percent (25%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

## **Beverly Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

##### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Beverly Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Beverly Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Beverly Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Beverly Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

November 27, 2000

Once a member joins the retirement system, they are eligible to purchase any prior employment they may have had with the City of Beverly as a seasonal, part-time, provisional or temporary worker. Employees will receive one (1) year of credit for every two (2) years worked, providing they worked at the position to be purchased continuously for at least fifteen hours per week. Employees who worked less than 15 hours per week at the position to be purchased are prorated fractionally according to the normal work week for their department.

## **Beverly Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)**

November 22, 2002

The Board has adopted Travel Supplemental Regulations under the provisions of G.L. c.7, § 50 and G.L. c.32, § 21(4). (Regulation available upon written request)





## Beverly Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

##### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2002.

The actuarial liability for active members was	\$50,542,730
The actuarial liability for vested terminated members was	256,956
The actuarial liability for non-vested terminated members was	194,803
The actuarial liability for retired members was	<u>59,374,026</u>
The total actuarial liability was	<b>110,368,515</b>
System assets as of that date were	<u>65,891,863</u>
The unfunded actuarial liability was	<b><u>\$44,476,652</u></b>
 The ratio of system's assets to total actuarial liability was	 59.7%
As of that date the total covered employee payroll was	\$19,908,218

The normal cost for employees on that date was 7.77% of payroll

The normal cost for the employer was 8.17% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.00% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2002	\$ 65,891,863	\$ 110,368,515	\$44,476,652	59.7%	\$19,908,218	223.4%
1/1/2000	\$ 59,367,879	\$ 95,125,878	\$35,757,999	62.4%	\$19,330,257	185.0%
1/1/1998	\$ 44,696,247	\$ 86,220,941	\$41,524,694	51.8%	\$14,341,233	289.5%
1/1/1995	\$ 30,449,599	\$ 67,290,553	\$36,840,954	45.3%	\$12,499,386	294.7%
1/1/1992	\$ 26,716,141	\$ 61,522,940	\$34,806,799	43.4%	\$13,913,682	250.2%

## Beverly Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Superannuation	5	12	12	*	23	3	4	16	44	15
Ordinary Disability	1	2	2	*	1	1	0	0	2	1
Accidental Disability	2	1	2	*	6	0	1	1	1	0
<b>Total Retirements</b>	<b>8</b>	<b>15</b>	<b>16</b>	<b>0</b>	<b>30</b>	<b>4</b>	<b>5</b>	<b>17</b>	<b>47</b>	<b>16</b>
 Total Retirees, Beneficiaries and Survivors	 399	 403	 402	 *	 428	 436	 470	 416	 449	 462
 Total Active Members	 434	 479	 479	 437	 489	 510	 609	 650	 574	 557
 <b>Pension Payments</b>										
Superannuation	\$3,141,152	\$3,131,564	\$3,120,105	\$3,470,866	\$3,481,271	\$3,582,898	\$3,671,693	\$3,738,932	\$4,168,288	\$4,930,789
Survivor/Beneficiary Payments	90,729	161,418	231,748	226,128	152,813	174,875	203,088	202,875	213,845	220,846
Ordinary Disability	877,557	135,574	138,809	184,032	198,058	182,798	181,788	167,155	168,386	179,907
Accidental Disability	141,042	890,026	947,309	953,494	1,030,672	1,126,563	1,192,449	1,226,231	1,264,537	1,278,660
Other	<u>402,801</u>	<u>421,504</u>	<u>426,990</u>	<u>396,134</u>	<u>499,995</u>	<u>531,349</u>	<u>495,239</u>	<u>577,071</u>	<u>646,684</u>	<u>636,852</u>
<b>Total Payments for Year</b>	<b><u>\$4,653,281</u></b>	<b><u>\$4,740,086</u></b>	<b><u>\$4,864,961</u></b>	<b><u>\$5,230,654</u></b>	<b><u>\$5,362,809</u></b>	<b><u>\$5,598,483</u></b>	<b><u>\$5,744,257</u></b>	<b><u>\$5,912,264</u></b>	<b><u>\$6,461,740</u></b>	<b><u>\$7,247,054</u></b>

Note: \* data not available